



AZ CORP COMMISSION DOCKET CONTROL

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Arizona Corporation Commission 1200 W. Washington Street

Phoenix, Arizona 85007

Matt Ryan District 3

E-013454- E-01345A Re: 2016 APS Rate Proposal, Docket #16-0036 & 16-0123

January 17, 2017

Jim Parks District 4

Dear Commissioners,

Lena Fowler District 5

These comments are submitted on behalf of Coconino County's low-income residential citizens by the Coconino County Board of Supervisors regarding the APS (the Company) rate proposal.

A rate proposal recently submitted by the Company to the Arizona Corporation Commission requests a net increase of \$165.9 million in base rates, or 5.74% in its proposed rate case. With this increase (according to the Company), the average bill impact for a typical APS residential customer would increase \$11.09 per month, or 7.96%.

In addition to the rate increase, the Company has a number of proposals for its low-income customers:

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- An expansion of its low-income support from \$35.6 million during the test year to approximately \$48 million (this reflects an anticipated increase in enrollment in the discount- E-3 program to be achieved through the term of this increase).
- A conversion of its usage driven percentage discount to a flat \$34 per month for E-3 customers and \$57 per month for E-4 customers (the medical discount), capped at 80% of the total bill.
- No funding for income eligible bill assistance.

On November 28, representatives of the Company met with two members of the Coconino County Board of Supervisors and County staff regarding the rate proposal. At that meeting questions were raised about the full impact of the proposed rate increase and other elements of this proposal. To date, the Company has not provided any analysis or requested information regarding the number of households that are expected to be negatively impacted by the proposed changes, any quantifiable justification for the rate increases, the lack of bill assistance, the change to the E3 program or the implementation of Demand Charges. Additionally, none of the proposed changes were discussed at the APS 101 event held in Flagstaff by the Company on October 19, 2016.

While Coconino County appreciates the increased investment in the E-3 program, this proposed change has no funds for income eligible bill assistance. We are extremely concerned that this significant change on the Company's part, coupled with the institution of Demand and volumetric Charges, will have a substantial negative impact on low-income



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and vulnerable households living in Coconino County.

The Coconino County Board of Supervisors has specific concerns about the Company's Rate Proposal:

- Impacts on low-income consumers
- Higher Residential Demand Charges and volumetric charges
- A flat-rate discount which will have a negative impact on many low-income customers
- Elimination of bill assistance funds for low-income eligible customers

Impacts on low-income customers

Impacts on low-income customers should be considered when determining the rate structure that best serves residential customers. Coconino County's Community Services Department (the designated Community Action Agency for Coconino County) has seen first-hand the impact utility rates have on the physical and financial stability of the clients they serve. Any increase in utility costs can cause genuine economic hardship for the many low-income customers (especially at risk are the elderly and medically vulnerable customers) throughout our County. Utilities are a basic necessity for human health and life, and increases in utility rates can force low-income consumers to sacrifice other necessities such as food or medication. It is upon this principle that the Commission has allowed the Company to provide bill assistance and low-income discount rates for its low-income customers for the past twenty years.

Energy Burden

Low-income customers have a much higher ratio of utility bills-to-income (energy burden) than other residential customers. Existing sources of energy assistance do not adequately address the Home Energy Affordability Gap Index in the US or the County. For example, in 2015 the Home Energy Affordability Gap Index was 105.1, a 5.1% increase since 2011 in the Mountain Region of the US, which includes the state of Arizona.¹

The number of households facing these energy burdens is staggering.

- According to the latest Census Bureau data, 23% in Coconino County live at the poverty level.²
- The median family income, adjusted for inflation, is less than it was in 1990.³
- Coconino County households with incomes of below 50% of the Federal Poverty Level pay 24.5% of their annual income for home energy bills.⁴ This is the highest ratio in the state.
- Utility bills for households with incomes of between 75% and 100% of the Federal
- Fisher Sheehan & Colton Potomer Please taffer day 18% Gotf in April 2016 Coconino County, again, the highest in the
- ² Arizona Rural Policy Institute Northern Arizona University W.A. Franke College of Business, 10/15
- ³ Fisher Sheehan & Colton, "Home Energy Affordability Gap" (April 2016)
- ⁴ Arizona Rural Policy Institute, Northern Arizona University W.A. Franke College of Business, 10/15 219 East Cherry Avenue, Flagstaff, AZ 86001-4695 ■ Phone: 928.679.7144 ■ 800.790.1990 ■ Fax 928.679.7171 ■ coconino.az.gov



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- Utility bills for households with incomes of between 75% and 100% of the Federal Poverty level take up 13% of income in Coconino County, again, the highest in the State.
- Households with incomes between 150% and 175% of the Federal Poverty Level also have energy bills above the percentage of income generally considered to be affordable.
- The poverty rate for children in rural Coconino County is 45%.⁵

These numbers are very troubling and highlight economic hardships many families in Coconino County face when it comes to keeping up with their utility costs.

Low Income Home Energy Assistance Program Funding Continues to Trail Costs The Low Income Home Energy Assistance Program (LIHEAP) ⁶² is a federal block grant that provides funding to the 50 states and other jurisdictions to operate home energy assistance programs for low-income households. LIHEAP helps eligible low-income households keep their homes at a safe temperature by helping them pay heating and/or cooling bills. Between 2013 and October 7, 2016 the Company was the recipient of \$278,193.00 of LIHEAP funds to assist their low-income customers in Coconino County alone. The County will experience a reduction in these LIHEAP funds for FY 2018 due to changes in funding at both federal and state levels, further impacting our low-income population. In addition to the LIHEAP funds, from 2013-October 7, 2016, Coconino County Community Services paid out \$72,546.00 in APS Bill Assistance funds to low-income customers in Coconino County (these funds are omitted from the proposed rate case).

Demand and Volumetric Charges

The Company is proposing the addition of new billing elements - Demand Charges and Volumetric Charges - to all residential customers except the very smallest. With the proposed changes, residential customers will see a demand charge, a basic service charge which is increasing as well as a volumetric charge. We are very concerned about the impact of these changes and additional charges.

Residential customers, particularly low-income customers, have diverse usage patterns and do not have consistent peak or simultaneous demands. Demand Charges, however, bill customers as if they all had simultaneous demands and usage patterns. We know that many of the residents of Coconino County work two

⁵ Arizona Rural Policy Institute, Northern Arizona University W.A. Franke College of Business, 10/15

⁶ LIHEAP was established through the Low Income Home Energy Assistance Act, Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).



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and three jobs, making it impossible to maintain consistent peak demand and usage patterns. Instituting these Demand Charges will unfairly target our low-income and most vulnerable customers.

Further, apartment residents are particularly disadvantaged by Demand Charges because a particular apartment resident's peak usage isn't actually served by the utility. Utilities only serve the combined diverse demand of multiple apartments in a building or complex rather than the individual apartment unit. This impacts Coconino County particularly as our housing costs are the most expensive per capita in Arizona and a disproportionately large percentage of residents live in apartments.

Many residential customers, especially less-informed, and/or low-income customers, lack the time, resources, and expertise to research and/or analyze their daily electricity use. They are also more likely to be confused by the complexity of different pricing schemes with fixed and variable rates, durational requirements, exit penalties, seasonal pricing variations, and other terms. These customers are at a substantial disadvantage when navigating a demand rate process. They will undoubtedly be subject to higher rates, despite well-designed and well-intended perimeters proposed by the Company.

Flat-rate discounts have a negative impact on low-income customers

The Company assumes that the expansion of their E-3 Rate will make up for the higher rates with no substantiated evidence to support such an assumption. Therefore, we recommend that low-income customers be exempt from Demand Charges, should the Corporation Commission approve such rates for the Company.

Elimination of bill assistance funds for low-income eligible customers

The Company has not in our opinion, offered any data that can substantiate their claims that residential customers will actually be "better off" under the proposed changes. This lack of data combined with the elimination of bill assistance for low-income customers and vulnerable populations leads to a deeply concerning outcome: higher bills and higher risks of shut-offs.

Additional staffing is required

These proposed changes coupled with the elimination of the APS Customer Service Offices is having and will continue to have a negative impact on our Community Services Department. County staff are spending more time explaining to APS customers how and where to pay their bills, how programs work and how they can reduce their energy burden. We anticipate this need will only grow with the proposed changes, particularly the Demand Charges and changes to the E-3 program. To address this burden, we ask that the Company provide funding for



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one full time caseworker (\$57,000.00) in our Flagstaff office to cover the additional administrative costs outlined above.

Summary Position

In summary, Coconino County opposes the Company's proposal for the following reasons:

- Impacts on low-income consumers
- · Higher Residential Demand Charges and volumetric charges
- A flat-rate discount which will have a negative impact on many low-income customers
- Elimination of bill assistance funds for low-income eligible customers

Finally, the proposed changes will exacerbate the existing burden placed on county resources to address and perform basic consumer education regarding APS and their product offerings. The situation made worse recently with the closing of public service centers.

Respectfully, on behalf of the Coconino County Board of Supervisors,

Honorable Elizabeth C. Archuleta, Chair

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xc: The Honorable Robert Burns

The Honorable Boyd Dunn

The Honorable Doug Little

The Honorable Tom Forese

The Honorable Andy Tobin